

TOWN OF OCEAN ISLE BEACH  
Ocean Isle Beach, North Carolina

FINANCIAL STATEMENTS  
Year Ended June 30, 2016

TOWN OF OCEAN ISLE BEACH  
Ocean Isle Beach, North Carolina

BOARD OF COMMISSIONERS

Betty Williamson

Carolyn Blythe

Dean Walters

Bob Williams

Wayne Rowell

ADMINISTRATIVE OFFICERS

Debbie Smith

Mayor

Dean Walters

Mayor Pro-Tem

Daisy Ivey

Finance Officer & Town Administrator

**Town of Ocean Isle Beach, North Carolina**  
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**30-Jun-16**

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## FINANCIAL SECTION



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## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Ocean Isle Beach, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ocean Isle Beach, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Ocean Isle Beach ABC Board were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ocean Isle Beach, North Carolina, as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, the Airport Grants Fund, and Tourist Accommodation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Ocean Isle Beach, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 on our consideration of the Town of Ocean Isle Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ocean Isle Beach's internal control over financial reporting and compliance.

*Thompson, Price, Scott, Adams & Co., P.A.*

*Thompson, Price, Scott, Adams & Co., P.A.*

*Wilmington, North Carolina*

*October 10, 2016*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# The Town of Ocean Isle Beach

3 WEST THIRD STREET, OCEAN ISLE BEACH, NC  
ZIP CODE 28469

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## Management's Discussion and Analysis

As management of the Town of Ocean Isle Beach, we offer readers of the Town of Ocean Isle Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Ocean Isle Beach for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

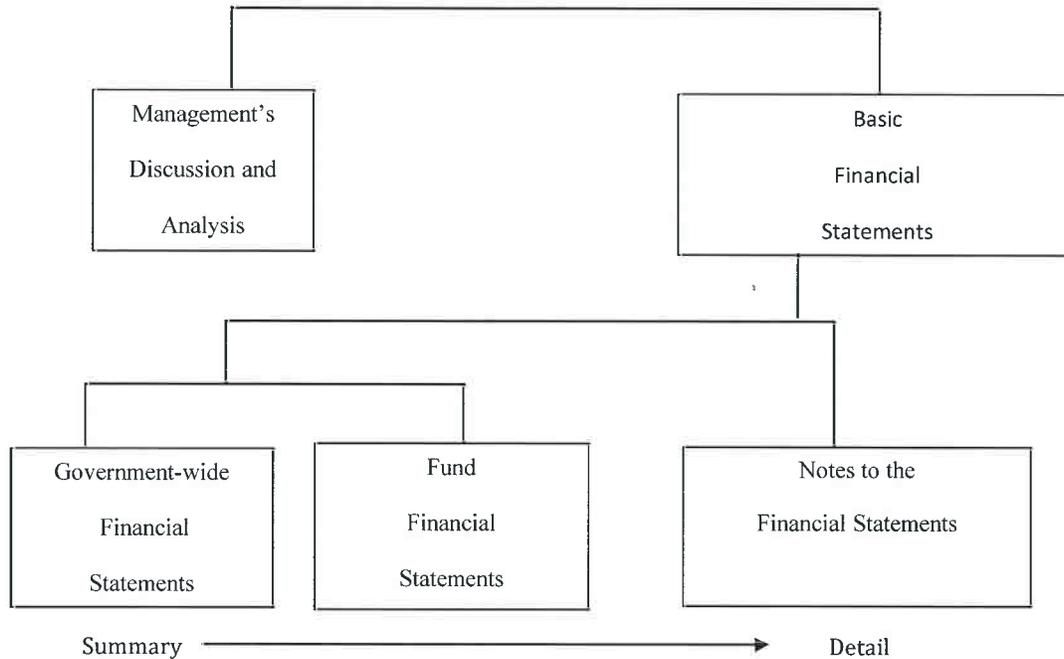
### Financial Highlights

- The assets and deferred outflows of resources of the Town of Ocean Isle Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$27,332,335 (*net position*).
  - The Town's total net position increased by \$2,322,677, primarily due to increases in the governmental activities.
- As of the close of the current fiscal year, the Town of Ocean Isle Beach's governmental funds reported combined
- ending fund balances of \$10,643,027, an increase of \$1,045,776 in comparison with the prior year. Approximately 27 percent of this total amount, or \$2,875,416 is available for spending at the government's discretion (unassigned).
  - At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,875,416 or 55% of total general fund expenditures for the fiscal year.
  - The Town of Ocean Isle Beach's total debt decreased by \$373,707 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Ocean Isle Beach's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Ocean Isle Beach.

**Required Components of Annual Financial Report**  
**Figure 1**



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements are the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Town's individual funds. Budgetary information required by the General Statutes can also be found in this part of the statements.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Ocean Isle Beach. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

### **Fund Financial Statements**

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Ocean Isle Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the Town's budget ordinance. All of the funds of the Town of Ocean Isle Beach can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Ocean Isle Beach adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – Town of Ocean Isle Beach has two proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Ocean Isle Beach uses enterprise funds to account for its water and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 8 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

**Interdependence with Other Entities** – The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**Government-Wide Financial Analysis**

**Town of Ocean Isle Beach's Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,783,441	\$ 9,864,634	\$ 4,434,085	\$ 3,856,572	\$ 15,217,526	\$ 13,721,206
Restricted Cash	485,529	710,688	172,082	234,110	657,611	944,798
Capital assets	9,471,137	8,996,894	4,682,860	4,866,195	14,153,997	13,863,089
Deferred outflows of resources	117,595	113,474	25,813	24,909	143,408	-
Total assets	20,857,702	19,685,690	9,314,840	8,981,786	30,172,542	28,529,093
Long-term liabilities outstanding	1,527,414	1,527,414	-	-	1,527,414	1,527,414
Other liabilities	749,954	1,034,519	419,196	496,859	1,169,150	1,531,378
Deferred inflows of resources	117,787	491,201	25,856	107,825	143,643	-
Total liabilities	2,395,155	3,053,134	445,052	604,684	2,840,207	3,058,792
Net position:						
Net investment in capital assets	7,943,723	7,095,773	4,682,860	4,866,195	12,626,583	11,961,968
Restricted	413,743	464,543	-	-	413,743	464,543
Unrestricted	10,105,081	9,072,240	4,186,928	3,510,907	14,292,009	12,583,147
Total net position	\$ 18,462,547	\$ 16,632,556	\$ 8,869,788	\$ 8,377,102	\$ 27,332,335	\$ 25,009,658

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Ocean Isle Beach exceeded liabilities and deferred inflows by \$27,332,335 as of June 30, 2016. The Town's net position increased by \$2,322,677 for the fiscal year ended June 30, 2016. However, the largest portion \$12,626,583 reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Ocean Isle Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Ocean Isle Beach's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Ocean Isle Beach's net position, \$413,743, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,292,009 is unrestricted.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.23%.
- Decrease in revenues within the Governmental Activities.

**Town of Ocean Isle Beach  
Changes in Net Assets  
Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$ 1,421,619	\$ 1,464,617	\$ 2,576,665	\$ 2,506,935	\$ 3,998,284	\$ 3,971,552
Operating grants & contributions	312,984	1,009,842	-	-	312,984	1,009,842
Capital grants & contributions	-	-	-	79,453	-	79,453
General revenues:						
Property taxes	3,138,787	2,749,789	-	-	3,138,787	2,749,789
Other taxes	2,733,544	2,602,861	-	-	2,733,544	2,602,861
Investment earnings	1,032	933	323	318	1,355	1,251
Other	-	37,077	70,427	88,552	70,427	125,629
<b>Total revenues</b>	<b>7,607,966</b>	<b>7,865,119</b>	<b>2,647,415</b>	<b>2,675,258</b>	<b>10,255,381</b>	<b>10,540,377</b>
<b>Expenses:</b>						
General government	1,728,980	1,366,140	-	-	1,728,980	1,366,140
Public safety	1,958,405	1,671,900	-	-	1,958,405	1,671,900
Transportation	308,558	441,350	-	-	308,558	441,350
Environmental protection	73,000	58,993	-	-	73,000	58,993
Mosquito control	5,824	8,977	-	-	5,824	8,977
Economic development	1,650,453	1,763,502	-	-	1,650,453	1,763,502
Interest on long-term debt	52,755	64,802	-	-	52,755	64,802
Water and Sewer	-	-	2,154,729	2,335,922	2,154,729	2,335,922
<b>Total expenses</b>	<b>5,777,975</b>	<b>5,375,664</b>	<b>2,154,729</b>	<b>2,335,922</b>	<b>7,932,704</b>	<b>7,711,586</b>
Increase (decrease) in net position before transfers	1,829,991	2,489,455	492,686	339,336	2,322,677	2,828,791
Increase (decrease) in net position	1,829,991	2,489,455	492,686	339,336	2,322,677	2,828,791
Net position, beginning restated	16,632,556	14,143,101	8,377,102	8,037,766	25,009,658	22,180,867
Net position, June 30, ending	\$ 18,462,547	\$ 16,632,556	\$ 8,869,788	\$ 8,377,102	\$ 27,332,335	\$ 25,009,658

**Governmental activities.** Governmental activities increased the Town's net position by \$1,829,991 thereby accounting for 79% of the total increase in the net position of the Town of Ocean Isle Beach. Key elements of this increase are as follows:

- Decreased revenues.
- Increase in expenditures.

**Business-type activities.** Business-type activities increased the Town of Ocean Isle Beach's net position by \$492,686, accounting for 21% of the total growth in the government's net position. Key elements of this increase are as follows:

- Customer base flat but steady.
- Increase in expenditures.

### Financial Analysis of the Town's Funds

As noted earlier, the Town of Ocean Isle Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town of Ocean Isle Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Ocean Isle Beach's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Ocean Isle Beach. At the end of the current fiscal year, Town of Ocean Isle Beach's unassigned fund balance in the General Fund was \$2,875,416, while total fund balance reached \$9,657,376. The Governing Body of Town of Ocean Isle Beach has determined that the Town should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 55% of general fund expenditures, while total fund balance represents 183% of the same amount.

At June 30, 2016 the governmental funds of Town of Ocean Isle Beach reported a combined fund balance of \$10,643,027, with a net increase in fund balance of \$1,045,776. Included in this change in fund balance is an decrease in the fund balance in the Tourist Accommodation fund and Airport Grants Fund.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

**Proprietary Funds.** The Town of Ocean Isle Beach's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,186,928. The total change in net position funds was \$492,686. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Ocean Isle Beach's business-type activities.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Ocean Isle Beach’s investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals \$14,153,997 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Land
- 2- 2016 Dodge Durangos
- New Server

**Town of Ocean Isle Beach’s Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,677,219	\$ 7,177,167	\$ 1,346,936	\$ 1,346,936	\$ 9,024,155	\$ 8,524,103
Buildings and system	866,358	899,227	3,276,256	3,350,958	4,142,614	4,250,185
Machinery and equipment	-	-	40,808	144,725	40,808	144,725
Infrastructure	433,053	472,545	-	-	433,053	472,545
Vehicles and motor equipment	417,234	380,628	18,860	23,576	436,094	404,204
Other Improvements	77,273	67,327	-	-	77,273	67,327
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b>\$ 9,471,137</b>	<b>\$ 8,996,894</b>	<b>\$ 4,682,860</b>	<b>\$ 4,866,195</b>	<b>\$ 14,153,997</b>	<b>\$ 13,863,089</b>

Additional information on the Town’s capital assets can be found in the notes to the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2016 the Town of Ocean Isle Beach had total bonded debt outstanding of \$-0-.

	Balance		Balance	
	1-Jul-15	Increases	Decreases	30-Jun-16
<b>Governmental activities:</b>				
Installment purchases	\$ 1,901,121	\$ -	\$ (373,707)	\$ 1,527,414
Compensated absences	135,606	107,863	(116,819)	126,650
Governmental activity long-term liabilities	<u>\$ 2,036,727</u>	<u>\$ 107,863</u>	<u>\$ (490,526)</u>	<u>\$ 1,654,064</u>
<b>Business-type activities:</b>				
Compensated absences	\$ 30,809	\$ 16,237	\$ (26,332)	\$ 20,714
Installment purchases	-	-	-	-
Note payable	-	-	-	-
Business-type activity long-term liabilities	<u>\$ 30,809</u>	<u>\$ 16,237</u>	<u>\$ (26,332)</u>	<u>\$ 20,714</u>

### **Town of Ocean Isle Beach's Outstanding Debt**

The Town of Ocean Isle Beach's total debt decreased by \$373,707 during the past fiscal year, primarily due to timely debt payments.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Ocean Isle Beach is \$190,221,386.

Additional information regarding the Town of Ocean Isle Beach's long-term debt can be found in the notes to the Basic Financial Statements.

### **Economic Factors and Next Year's Budgets and Rates**

The following key economic factors reflect the growth and prosperity of the Town.

- Unemployment remained steady.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities.** Property taxes are expected to remain the same as the current tax rate. The Town will use increases in revenues to finance programs currently in place. No new revenues are anticipated and other current sources remain constant. Management continually seeks grants and funding from outside sources to supplement the Town's revenue streams.

**Business-type Activities.** The water and sewer rates in the Town were left unchanged for the coming year

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Ocean Isle Beach, 3 West Third Street, Ocean Isle Beach, NC 28469. You can also call (910) 579-2166.

## BASIC FINANCIAL STATEMENTS

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government			Ocean Isle Beach ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 10,479,134	\$ 3,838,452	\$ 14,317,586	\$ 201,728
Restricted cash	485,529	172,082	657,611	-
Receivables (net)	270,263	602,621	872,884	-
Prepaid items	-	-	-	4,418
Inventories	-	27,056	27,056	371,795
Due from other funds	34,044	(34,044)	-	-
Non Current Assets:				
Capital assets:				
Land, improvements, and construction in progress	7,677,219	1,346,936	9,024,155	-
Other capital assets, net of depreciation	1,793,918	3,335,924	5,129,842	12,172
Total capital assets	<u>9,471,137</u>	<u>4,682,860</u>	<u>14,153,997</u>	<u>12,172</u>
Total assets	<u>20,740,107</u>	<u>9,289,027</u>	<u>30,029,134</u>	<u>590,113</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 117,595</u>	<u>\$ 25,813</u>	<u>\$ 143,408</u>	<u>\$ 11,912</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 193,894	\$ 115,881	\$ 309,775	\$ 252,803
Due to other funds	-	-	-	-
Due within one year	373,707	-	373,707	-
Compensated absences payable	107,683	16,237	123,920	-
Long-term liabilities:				
Liabilities payable from restricted assets:				
Deposits	307,155	254,894	562,049	-
Compensated absences payable	18,967	4,477	23,444	-
Net pension liability	122,255	27,707	149,962	7,674
Due in more than one year	1,153,707	-	1,153,707	-
Total liabilities	<u>2,277,368</u>	<u>419,196</u>	<u>2,696,564</u>	<u>260,477</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>117,787</u>	<u>25,856</u>	<u>143,643</u>	<u>3,989</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,943,723	4,682,860	12,626,583	12,172
Restricted for:				
Streets	178,374	-	178,374	-
State Stabilization	235,369	-	235,369	-
Working Capital	-	-	-	320,720
Unrestricted	10,105,081	4,186,928	14,292,009	4,667
Total net position	<u>\$ 18,462,547</u>	<u>\$ 8,869,788</u>	<u>\$ 27,332,335</u>	<u>\$ 337,559</u>

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 523,466	\$ 373,177	\$ -	\$ -
Public safety	1,958,405	696,126	1,339	-
Mosquito control	5,824	-	-	-
Transportation	308,558	-	32,984	-
Environmental protection	73,000	340,088	8,310	-
Economic development	1,468,320	12,228	270,351	-
Special projects	1,205,514	-	-	-
Planning and zoning	182,133	-	-	-
Interest on long-term debt	52,755	-	-	-
Total governmental activities	<u>5,777,975</u>	<u>1,421,619</u>	<u>312,984</u>	<u>-</u>
Business-type activities:				
Water	1,032,255	1,441,648	-	-
Sewer	1,122,474	1,135,017	-	-
Total business-type activities	<u>2,154,729</u>	<u>2,576,665</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,932,704</u>	<u>\$ 3,998,284</u>	<u>\$ 312,984</u>	<u>\$ -</u>
Component unit:				
ABC Board	1,933,397	1,932,745	-	-
Total component unit	<u>\$ 1,933,397</u>	<u>\$ 1,932,745</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Ocean Isle Beach ABC Board
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ (150,289)	\$ -	\$ (150,289)	\$ -
Public safety	(1,260,940)	-	(1,260,940)	-
Mosquito control	(5,824)	-	(5,824)	-
Transportation	(275,574)	-	(275,574)	-
Environmental protection	275,398	-	275,398	-
Economic development	(1,185,741)	-	(1,185,741)	-
Special projects	(1,205,514)	-	(1,205,514)	-
Planning and zoning	(182,133)	-	(182,133)	-
Interest on long-term debt	(52,755)	-	(52,755)	-
Total governmental activities	<u>(4,043,372)</u>	<u>-</u>	<u>(4,043,372)</u>	<u>-</u>
Business-type activities:				
Water	-	409,393	409,393	-
Sewer	-	12,543	12,543	-
Total business-type activities	<u>-</u>	<u>421,936</u>	<u>421,936</u>	<u>-</u>
Total Primary Government	<u>(4,043,372)</u>	<u>421,936</u>	<u>(3,621,436)</u>	<u>-</u>
Component unit:				
ABC Board	-	-	-	(652)
Total component unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>(652)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,138,787	-	3,138,787	-
Local option sales tax	151,596	-	151,596	-
Other taxes and licenses	2,581,948	-	2,581,948	-
Grants and contributions not restricted to specific programs	-	-	-	-
Investment earnings, unrestricted	1,032	323	1,355	326
Miscellaneous	-	70,427	70,427	-
Total general revenues	<u>5,873,363</u>	<u>70,750</u>	<u>5,944,113</u>	<u>326</u>
Change in net position	1,829,991	492,686	2,322,677	(326)
Net position, beginning	16,632,556	8,377,102	25,009,658	337,885
Net position, ending	<u>\$ 18,462,547</u>	<u>\$ 8,869,788</u>	<u>\$ 27,332,335</u>	<u>\$ 337,559</u>

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	<b>Major Funds</b>			<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Tourist Accommodation Fund</b>	<b>Airport Grant Fund</b>		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,446,818	\$ 818,879	\$ -	\$ 213,437	\$ 10,479,134
Restricted cash	485,529	-	-	-	485,529
Taxes receivables, net	118,020	-	-	-	118,020
Due from other funds	90,000	-	-	-	90,000
Account receivables, net	60,979	84,390	-	-	145,369
Total assets	<u>\$ 10,201,346</u>	<u>\$ 903,269</u>	<u>\$ -</u>	<u>\$ 213,437</u>	<u>\$ 11,318,052</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 114,232	\$ 50,570	\$ 29,092	\$ -	\$ 193,894
Liabilities payable from restricted assets:					
Surety bond/Escrow payable	307,155	-	-	-	307,155
Due to other funds	4,563	51,376	-	17	55,956
Total liabilities	<u>425,950</u>	<u>101,946</u>	<u>29,092</u>	<u>17</u>	<u>557,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	118,020	-	-	-	118,020
Total deferred inflows of resources	<u>118,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,020</u>
<b>FUND BALANCES</b>					
Restricted					
Stabilization by State Statute	150,979	84,390	-	-	235,369
Streets - Powell Bill	178,374	-	-	-	178,374
Committed					
Economic development	6,452,607	716,933	(29,092)	213,420	7,353,868
Unassigned	2,875,416	-	-	-	2,875,416
Total fund balances	<u>9,657,376</u>	<u>801,323</u>	<u>(29,092)</u>	<u>213,420</u>	<u>10,643,027</u>
Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 10,201,346</u>	<u>\$ 903,269</u>	<u>\$ -</u>	<u>\$ 213,437</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,471,137
Liabilities for Earned revenues but considered deferred inflows in fund statements.	118,020
Deferred outflows of resources related to pensions are not reported in the funds.	117,595
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are inflows of resources in the funds.	6,874
Deferred inflows of resources related to pensions are not reported in the funds	(117,787)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(1,654,064)
Net pension liability.	(122,255)
Net position of governmental activities	<u>\$ 18,462,547</u>

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<b>Major Funds</b>			<b>Total Non-Major Fund</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Tourist Accommodation Fund</b>	<b>Airport Grant Fund</b>		
<b>REVENUES</b>					
Ad valorem taxes	\$ 3,276,707	\$ -	\$ -	\$ -	\$ 3,276,707
Other taxes and licenses	5,932	1,974,813	-	-	1,980,745
Unrestricted intergovernmental	682,490	-	-	-	682,490
Restricted intergovernmental	42,633	18,358	251,993	-	312,984
Permits and fees	1,042,703	-	-	-	1,042,703
Sales and services	379,829	-	-	-	379,829
Investment earnings	866	105	-	59	1,030
Miscellaneous	-	12,228	-	57,168	69,396
Total revenues	<u>5,431,160</u>	<u>2,005,504</u>	<u>251,993</u>	<u>57,227</u>	<u>7,745,884</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,113,649	-	-	-	1,113,649
Public safety	1,937,720	-	-	-	1,937,720
Transportation	319,324	-	-	-	319,324
Mosquito control	5,824	-	-	-	5,824
Planning and zoning	182,133	-	-	-	182,133
Special projects	1,205,514	-	-	-	1,205,514
Environmental protection	73,000	-	-	-	73,000
Economic development	-	1,092,231	301,136	43,115	1,436,482
Debt principal	373,707	-	-	-	373,707
Debt interest	52,755	-	-	-	52,755
Total expenditures	<u>5,263,626</u>	<u>1,092,231</u>	<u>301,136</u>	<u>43,115</u>	<u>6,700,108</u>
Excess (deficiency) of revenues over expenditures	<u>167,534</u>	<u>913,273</u>	<u>(49,143)</u>	<u>14,112</u>	<u>1,045,776</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	1,238,405	-	-	-	1,238,405
Transfers to other funds	-	(1,238,405)	-	-	(1,238,405)
Total other financing sources and uses	<u>1,238,405</u>	<u>(1,238,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,405,939	(325,132)	(49,143)	14,112	1,045,776
Fund balances-beginning	8,251,437	1,126,455	20,051	199,308	9,597,251
Fund balances-ending	<u>\$ 9,657,376</u>	<u>\$ 801,323</u>	<u>\$ (29,092)</u>	<u>\$ 213,420</u>	<u>\$ 10,643,027</u>

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds		\$ 1,045,776
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	666,680	
Depreciation expense for governmental assets	<u>(192,437)</u>	
		474,243
Cost of asset disposed of during the year		-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		117,595
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in unavailable revenue for tax revenues		(141,395)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated absences		8,956
Pension expense		(48,891)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of principal payments on long-term debt and related items.</p>		
		<u>373,707</u>
Total changes in net position of governmental activities		<u>\$ 1,829,991</u>

**Town of Ocean Isle Beach, North Carolina**  
**General Fund and Annually Budgeted Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	General Fund				Tourist Accommodation Fund			
	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>								
Ad valorem taxes	\$ 2,919,154	\$ 2,943,154	\$ 3,276,707	\$ 333,553	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	6,500	6,500	5,932	(568)	1,906,915	1,906,915	1,974,813	67,898
Unrestricted intergovernmental	550,155	634,646	682,490	47,844	-	-	-	-
Restricted intergovernmental	40,199	42,649	42,633	(16)	19,253	19,253	18,358	(895)
Permits and fees	720,245	956,795	1,042,703	85,908	-	-	-	-
Sales and services	399,491	415,932	379,829	(36,103)	-	-	-	-
Investment earnings	650	650	866	216	250	250	105	(145)
Miscellaneous	3,500	-	-	-	9,500	9,500	12,228	2,728
<b>Total revenues</b>	<b>4,639,894</b>	<b>5,000,326</b>	<b>5,431,160</b>	<b>430,834</b>	<b>1,935,918</b>	<b>1,935,918</b>	<b>2,005,504</b>	<b>69,586</b>
<b>Expenditures</b>								
<b>Current:</b>								
General government	1,889,171	1,336,205	1,113,649	222,556	-	-	-	-
Public safety	2,136,462	2,107,415	1,937,720	169,695	-	-	-	-
Transportation	399,169	399,169	319,324	79,845	-	-	-	-
Mosquito control	9,550	9,550	5,824	3,726	-	-	-	-
Planning and zoning	197,029	197,029	182,133	14,896	-	-	-	-
Special projects	-	2,113,199	1,205,514	907,685	-	-	-	-
Environmental protection	73,000	73,000	73,000	-	-	-	-	-
Economic development	-	-	-	-	1,550,622	1,550,622	1,092,231	458,391
Debt principal	373,707	373,707	373,707	-	-	-	-	-
Debt interest	52,755	52,755	52,755	-	-	-	-	-
<b>Total expenditures</b>	<b>5,130,843</b>	<b>6,662,029</b>	<b>5,263,626</b>	<b>1,398,403</b>	<b>1,550,622</b>	<b>1,550,622</b>	<b>1,092,231</b>	<b>458,391</b>
Revenues over (under) expenditures	(490,949)	(1,661,703)	167,534	1,829,237	385,296	385,296	913,273	527,977
<b>Other financing sources (uses):</b>								
Proceeds from installment purchase	-	-	-	-	-	-	-	-
Transfers (to)/from	-	1,162,766	1,238,405	-	(1,242,766)	(1,242,766)	(1,238,405)	-
Fund Balance Appropriated	490,949	498,937	-	-	857,470	857,470	-	-
<b>Total other financing sources (uses)</b>	<b>490,949</b>	<b>1,661,703</b>	<b>1,238,405</b>	<b>(423,298)</b>	<b>(385,296)</b>	<b>(385,296)</b>	<b>(1,238,405)</b>	<b>(853,109)</b>
Net change in fund balance	\$ -	\$ -	1,405,939	\$ 1,405,939	\$ -	\$ -	(325,132)	\$ (325,132)
<b>Fund balances:</b>								
Beginning of year, July 1			8,251,437				1,126,455	
End of year, June 30			<u>\$ 9,657,376</u>				<u>\$ 801,323</u>	

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**General Fund and Annually Budgeted Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	<b>Airport Grant Fund</b>			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	352,466	352,466	251,993	(100,473)
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>352,466</u>	<u>352,466</u>	<u>251,993</u>	<u>(100,473)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Mosquito control	-	-	-	-
Planning and zoning	-	-	-	-
Special projects	-	-	-	-
Environmental protection	-	-	-	-
Economic development	352,466	352,466	301,136	51,330
Debt principal	-	-	-	-
Debt interest	-	-	-	-
Total expenditures	<u>352,466</u>	<u>352,466</u>	<u>301,136</u>	<u>51,330</u>
Revenues over (under) expenditures	-	-	(49,143)	(49,143)
<b>Other financing sources (uses):</b>				
Proceeds from installment purchase:	-	-	-	-
Transfers (to)/from	-	-	-	-
Fund Balance Appropriated	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(49,143)</u>	<u>\$ (49,143)</u>
<b>Fund balances:</b>				
Beginning of year, July 1			-	
			<u>20,051</u>	
End of year, June 30			<u>\$ (29,092)</u>	

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<u>Major Enterprise Funds</u>		<u>Totals</u>
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>June 30,</u> <u>2016</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,423,420	\$ 1,415,032	\$ 3,838,452
Accounts Receivable (net)	267,786	334,835	602,621
Due from other funds	12,949	25,141	38,090
Inventories	15,062	11,994	27,056
Total current assets	<u>2,719,217</u>	<u>1,787,002</u>	<u>4,506,219</u>
Noncurrent assets:			
Restricted cash and cash equivalents	172,082	-	172,082
Capital assets (net)	<u>3,450,728</u>	<u>1,232,132</u>	<u>4,682,860</u>
Total assets	<u>6,342,027</u>	<u>3,019,134</u>	<u>9,361,161</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 20,077</u>	<u>\$ 5,736</u>	<u>\$ 25,813</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 59,132	\$ 56,749	\$ 115,881
Due to other funds	72,134	-	72,134
Compensated absences payable	16,237	-	16,237
Note payable - current	-	-	-
Total	<u>147,503</u>	<u>56,749</u>	<u>204,252</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Deposits	254,894	-	254,894
Net pension liability	20,873	6,834	27,707
Compensated absences payable	4,477	-	4,477
Note payable - non-current	-	-	-
Total	<u>280,244</u>	<u>6,834</u>	<u>287,078</u>
Total liabilities	<u>427,747</u>	<u>63,583</u>	<u>491,330</u>
<b>Deferred Inflows of Resources</b>	<u>20,110</u>	<u>5,746</u>	<u>25,856</u>
<b>Net Position</b>			
Net investment in capital assets	3,450,728	1,232,132	4,682,860
Unrestricted	<u>2,463,519</u>	<u>1,723,409</u>	<u>4,186,928</u>
Total net position	<u>\$ 5,914,247</u>	<u>\$ 2,955,541</u>	<u>\$ 8,869,788</u>

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<u>Major Enterprise Funds</u>		<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>June 30, 2016</u>
Operating revenues:			
Charges for services	\$ 1,405,868	\$ 1,087,403	\$ 2,493,271
Water & Sewer taps	29,450	9,000	38,450
Other operating revenues	6,330	38,614	44,944
Total operating revenues	<u>1,441,648</u>	<u>1,135,017</u>	<u>2,576,665</u>
Operating expenses:			
Administration	98,924	12,999	111,923
Operations	860,963	998,329	1,859,292
Depreciation	72,368	111,146	183,514
Total operating expenses	<u>1,032,255</u>	<u>1,122,474</u>	<u>2,154,729</u>
Operating income	<u>409,393</u>	<u>12,543</u>	<u>421,936</u>
Nonoperating revenues (expenses):			
Investment earnings	209	114	323
Interest and fees	-	-	-
Lease	70,427	-	70,427
Total nonoperating revenues (expenses)	<u>70,636</u>	<u>114</u>	<u>70,750</u>
Net Income before transfers and capital contributions	<u>480,029</u>	<u>12,657</u>	<u>492,686</u>
Capital contributions	-	-	-
Transfer in (out)	-	-	-
Change in net position	480,029	12,657	492,686
Net Position - Beginning of Year	<u>5,434,218</u>	<u>2,942,884</u>	<u>8,377,102</u>
Total net position, ending	<u>\$ 5,914,247</u>	<u>\$ 2,955,541</u>	<u>\$ 8,869,788</u>

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2016**

	<u>Major Enterprise Funds</u>		<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>June 30, 2016</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,438,400	\$ 1,129,617	\$ 2,568,017
Cash paid for goods and services	(767,982)	(898,944)	(1,666,926)
Cash paid to employees for services	(322,665)	(115,459)	(438,124)
Customer deposits net	20,784	-	20,784
Net cash provided/(used) by operating activities	<u>368,537</u>	<u>115,214</u>	<u>483,751</u>
Cash flows from noncapital financing activities:			
Capital contributions	-	-	-
Lease/rental proceeds	<u>70,427</u>	<u>-</u>	<u>70,427</u>
Net cash provided/(used) by noncapital financing activities	<u>70,427</u>	<u>-</u>	<u>70,427</u>
Cash flows from capital and related financing activities:			
Change in Due To/From	-	(32,990)	(32,990)
Acquisition and construction of capital assets	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>-</u>	<u>(32,990)</u>	<u>(32,990)</u>
Cash flows from investing activities:			
Interest on investments	<u>209</u>	<u>114</u>	<u>323</u>
Net increase(decrease) in cash and cash equivalents	439,173	82,338	521,511
Cash and cash equivalents:			
Beginning of year, July 1	<u>2,156,329</u>	<u>1,332,694</u>	<u>3,489,023</u>
End of year, June 30	<u>\$ 2,595,502</u>	<u>\$ 1,415,032</u>	<u>\$ 4,010,534</u>

The notes to the financial statements are an integral part of this statement.

**Town of Ocean Isle Beach, North Carolina**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2016**

	Water Fund	Sewer Fund	Totals June 30, 2016
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income/(loss)	\$ 409,393	\$ 12,543	\$ 421,936
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	72,368	111,146	183,514
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	(3,248)	(5,400)	(8,648)
(Increase) decrease in inventory	2,756	3,189	5,945
(Increase) decrease in net pension asset	32,448	9,271	41,719
Increase (decrease) in accounts payable and accrued liabilities	(122,380)	(3,083)	(125,463)
Increase (decrease) in net pension liability	20,873	5,964	26,837
(Increase) decrease in deferred outflows of resources for pensions	(703)	(201)	(904)
Increase (decrease) in deferred inflows of resources for pensions	(63,754)	(18,215)	(81,969)
Increase(decrease) in deposits	20,784	-	20,784
Total adjustments	<u>(40,856)</u>	<u>102,671</u>	<u>61,815</u>
Net cash provided/(used) by operating activities	<u>\$ 368,537</u>	<u>\$ 115,214</u>	<u>\$ 483,751</u>

The notes to the financial statements are an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS

**Town of Ocean Isle Beach, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Ocean Isle Beach, NC and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Ocean Isle Beach is a municipal corporation, which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Ocean Isle Beach ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Ocean Isle Beach ABC Board, 1505 Ocean Isle Beach Road, Ocean Isle Beach, North Carolina 28469.

B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements* : The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

**Tourist Accommodation Tax Fund.** This fund is used to account for accommodation tax monies.

**Airport Grant Fund.** This fund is used to account for development of the airport with grant monies.

The town reports the following non-major governmental fund:

**Airport Local Fund.** This fund is used to account for development of the airport.

The Town reports the following major enterprise funds:

**Water Fund and Sewer Fund.** These two separate funds are used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Ocean Isle Beach because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Tourist Accommodations Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. An annual budget is also adopted for the Special Revenue Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$10,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$10,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and the ABC Board's investments are reported at fair value as determined by quoted market prices. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, which is NCCMT's share price.

In accordance with State law, the Town has invested in securities which are callable and which provide periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

5. Inventory

The inventories of the ABC Board are valued at cost (first in, first out), which approximates market.

The inventories of the Town's enterprise funds and those of the Town of Ocean Isle Beach ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than purchased.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost for the Town's assets is \$5,000. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimate historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Other assets of the Town are depreciated on a class life basis at the following rates:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	2%
Buildings	2%
Furniture and office equipment	20%
Maintenance and construction equipment	20%
Medium and heavy motor vehicles	20%
Automobiles and light trucks	20%

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Furniture & Equipment	10 years
Leasehold Improvements	10-20 years
Computers, etc.	3 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does have one item that meet this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

Vacation leave is accumulated at the rate of up to thirty (30) days per year with each leave being fully vested when earned. For the Town's government wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded with the funds as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Also, customer deposits and monies held in escrow.

Town Restricted Cash

Enterprise Fund

Customer Deposits	\$ 172,082
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General Fund

Escrow Deposits	307,155
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Powell Bill Funds	178,374
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Total Restricted Cash

\$ 657,611
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11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as investment in capital assets; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Ocean Isle Beach’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that the Town of Ocean Isle Beach intends to use for specific purposes.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Ocean Isle Beach has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

#### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town’s employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## II. Stewardship, Compliance, and Accountability

### A. Significant Violations of Finance-Related Legal and Contractual Provisions

#### 1. Noncompliance with North Carolina General Statutes

None.

#### 2. Contractual Violations

##### A. Deficit Fund Balance or Net Position of Individual Funds

The Airport Grants Fund had a deficit fund balance which is the result of timing differences with funding agencies.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or ABC board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town or ABC Board, these deposits are considered to be held by the Town's or ABC Boards agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Town's deposits had a carrying amount of \$14,975,197 and a bank balance of \$15,075,067. \$1,750,000 of which was covered by federal depository insurance. The rest of which was covered under the pooling method. The ABC Board's deposits had a carrying amount of \$201,728 and a bank balance of \$253,843. All of the bank balance was covered by federal depository insurance.

2. Investments

All investments of the Town are in local banks, as Smart Money Market interest bearing accounts and certificates of deposit.

Notes to the Financial Statements

3. Receivables

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Other	Total
<b>Governmental Activities:</b>					
General	\$ -	\$ 124,894	\$ 145,369	\$ -	\$ 270,263
Special Revenue	-	-	-	-	-
Total Governmental Activities	\$ -	\$ 124,894	\$ 145,369	\$ -	\$ 270,263
<b>Business-Type Activities:</b>					
Water	\$ 602,621	\$ -	\$ -	\$ -	\$ 602,621
Total Business-Type Activities	\$ 602,621	\$ -	\$ -	\$ -	\$ 602,621

Receivables - Allowances for Doubtful Accounts

No allowance for doubtful accounts was considered necessary.

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 7,177,167	\$ 500,052	\$ -	\$ 7,677,219
Construction in progress	-	-	-	-
Total capital assets not being depreciated	7,177,167	500,052	-	7,677,219
<b>Capital assets being depreciated:</b>				
Buildings	1,417,681	-	-	1,417,681
Other improvements	385,204	12,600	-	397,804
Equipment and Vehicles	2,087,393	154,028	(58,894)	2,182,527
Infrastructure	789,842	-	-	789,842
Total capital assets being depreciated	4,680,120	166,628	(58,894)	4,787,854
<b>Less accumulated depreciation for:</b>				
Buildings	518,454	32,869	-	551,323
Other improvements	317,877	2,654	-	320,531
Equipment and Vehicles	1,706,765	117,422	(58,894)	1,765,293
Infrastructure	317,297	39,492	-	356,789
Total accumulated depreciation	2,860,393	192,437	(58,894)	2,993,936
Total capital assets being depreciated, net	1,819,727			1,793,918
<b>Governmental activity capital assets, net</b>	<b>\$ 8,996,894</b>			<b>\$ 9,471,137</b>

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 60,474
Public Safety	86,042
Economic Development	2,709
Public Works	43,212
Total Depreciation Expense	<u>\$ 192,437</u>

**Business-Type Activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 486,374	\$ -	\$ -	\$ 486,374
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>486,374</u>	-	-	<u>486,374</u>
<b>Capital assets being depreciated:</b>				
Plant and Distribution Systems	4,122,787	-	-	4,122,787
Furniture, Equipment & Maintenance	353,111	-	-	353,111
Vehicles	173,902	-	-	173,902
Total capital assets being depreciated	<u>4,649,800</u>	-	-	<u>4,649,800</u>
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	1,150,697	59,442	-	1,210,139
Furniture, Equipment & Maintenance	312,054	8,211	-	320,265
Vehicles	150,327	4,715	-	155,042
Total accumulated depreciation	<u>1,613,078</u>	<u>72,368</u>	-	<u>1,685,446</u>
Total capital assets being depreciated, net	<u>3,036,722</u>			<u>2,964,354</u>
<b>Water Fund capital assets, net</b>	<u>\$ 3,523,096</u>			<u>\$ 3,450,728</u>
<b>Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 860,562	\$ -	\$ -	\$ 860,562
Construction in progress	-	-	-	-
Total Capital assets not being depreciated	<u>860,562</u>	-	-	<u>860,562</u>
<b>Capital assets being depreciated:</b>				
Plant and Distribution Systems	763,020	-	-	763,020
Furniture, Equipment & Maintenance	380,769	-	-	380,769
Vehicles	57,374	-	-	57,374
Total capital assets being depreciated	<u>1,201,163</u>	-	-	<u>1,201,163</u>
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	383,972	15,260	-	399,232
Furniture, Equipment & Maintenance	277,101	95,886	-	372,987
Vehicles	57,374	-	-	57,374
Total accumulated depreciation	<u>718,447</u>	<u>111,146</u>	-	<u>829,593</u>
Total capital assets being depreciated, net	<u>482,716</u>			<u>371,570</u>
<b>Sewer Fund capital assets, net</b>	<u>\$ 1,343,278</u>			<u>\$ 1,232,132</u>

Notes to the Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Total Business-Type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,346,936	\$ -	\$ -	\$ 1,346,936
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,346,936	-	-	1,346,936
<b>Capital assets being depreciated:</b>				
Plant and Distribution Systems	4,885,807	-	-	4,885,807
Furniture, Equipment & Maintenance	733,880	-	-	733,880
Vehicles	231,276	-	-	231,276
Total capital assets being depreciated	5,850,963	-	-	5,850,963
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	1,534,669	74,702	-	1,609,371
Furniture, Equipment & Maintenance	589,155	104,097	-	693,252
Vehicles	207,701	4,715	-	212,416
Total accumulated depreciation	2,331,525	183,514	-	2,515,039
Total capital assets being depreciated, net	3,519,438			3,335,924
<b>Total business-type activities, net</b>	<b>\$ 4,866,374</b>			<b>\$ 4,682,860</b>

**Discretely Presented Component Unit:**

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

	Cost	Accumulated Depreciation	Net Amount
Furniture & Equipment	\$ 31,978	\$ (19,806)	\$ 12,172
Total	\$ 31,978	\$ (19,806)	\$ 12,172

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Town of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town’s contractually required contribution rate for the year ended June 30, 2016, was 7.24% of compensation for law enforcement officers and 7.24% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$143,408 for the year ended June 30, 2016.

*Refunds of Contributions* – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2016, the Town reported a liability of \$149,962 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town’s proportion was 0.3322%, which was an decrease of 0.0393% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$48,891. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 35,045
Net difference between projected and actual earnings on pension plan investments	-	42,445
Changes in proportion and differences between Town's contributions and proportionate share of contributions	-	66,153
Town's contributions subsequent to the measurement date	143,408	-
Total	\$ 143,408	\$ 143,643

Notes to the Financial Statements

\$143,408 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	\$ (68,633)
2018	(68,633)
2019	(68,494)
2020	62,117
2021	-
Thereafter	-
	<u>\$ (143,643)</u>

*Actuarial Assumptions* . The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of position plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation		
Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1 % Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of	\$1,039,618	\$149,962	(\$601,162)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

2. Deferred Outflows and Inflows of Resources

The Town has one deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	143,408
Total	<u>\$ 143,408</u>

Deferred inflows of resources at year-end is comprised of the following:

Pension deferrals	\$ 143,643
Taxes Receivable	\$ 118,020

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Ocean Isle Beach administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town has not obtained an actuarial plan because its required contributions are considered immaterial. The Town funds the plan when benefits become due.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>13</u>
Total	<u><u>15</u></u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and other employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$132,369 which consisted of \$100,781 from the Town and \$31,588 from the law enforcement officers and other employees.

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State.

#### 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon percentage of the total insurance values.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town is eligible to and had purchased commercial flood insurance for a total of \$500,000 for three structures.

Town of Ocean Isle Beach ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage's. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

#### 5. Claims, Judgments, and Contingent Liabilities

At June 30, 2016, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

#### 6. Long Term Obligations

##### a. Installment Purchases

On October 30, 2006 the Town entered into an installment/purchase contract for the purchase of a Land for a new Town Hall. The contract will be paid in annual principal installments of \$180,000 not including interest at 3.89% annum for 10 years. The balance at June 30, 2016 was \$180,000.

On July 1, 2008 the Town entered into an installment/purchase contract for the purchase of a fire station building. The contract will be paid in annual installments of \$44,797 including interest at 3.29% annum for 10 years. The balance at June 30, 2016 was \$67,414.

On March 13, 2015 the Town entered into an installment/purchase contract for the purchase of a land for a park area. The contract will be paid in annual installments of \$160,000 plus interest at 2.46% per annum for 10 years. The balance at June 30, 2016 was \$1,280,000.

The future minimum payments of the installment purchases as of June 30, 2016 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	373,707	42,459
2018	193,707	28,661
2019	160,000	23,616
2020	160,000	19,680
2021	160,000	15,744
Next Five Years	480,000	23,616
	<u>\$ 1,527,414</u>	<u>\$ 153,776</u>

#### General Obligation Indebtedness

None.

#### e. Changes in Long-Term Liabilities

	Balance 1-Jul-15	Increases	Decreases	Balance 30-Jun-16	Current Portion
<b>Governmental activities:</b>					
Installment purchases	\$ 1,901,121	\$ -	\$ (373,707)	\$ 1,527,414	\$ 373,707
LEGRS	\$ -	\$ 122,255	\$ -	\$ 122,255	-
Compensated absences	135,606	107,863	(116,819)	126,650	107,683
Governmental activity long-term liabilities	<u>\$ 2,036,727</u>	<u>\$ 230,118</u>	<u>\$ (490,526)</u>	<u>\$ 1,776,319</u>	<u>\$ 481,390</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 30,809	\$ 16,237	\$ (26,332)	\$ 20,714	\$ 16,237
Installment purchases	-	-	-	-	-
LEGRS	-	27,707	-	27,707	-
Note payable	-	-	-	-	-
Business-type activity long-term liabilities	<u>\$ 30,809</u>	<u>\$ 43,944</u>	<u>\$ (26,332)</u>	<u>\$ 48,421</u>	<u>\$ 16,237</u>

At June 30, 2016, the Town of Ocean Isle Beach had a legal debt margin of \$190,221,386.

C. Interfund Balances and Activity

The composition of transfer activity as of June 30, 2016 is as follows:

Transfers to/From Other Funds

Transfers to/From Other Funds on June 30, 2016, consist of the following:

From the Accommodation Fund to the General Fund for expenditures	\$ 1,238,405
Total	<u>\$ 1,238,405</u>

The composition of interfund balances as of June 30, 2016 is as follows (shown net):

Interfund Balances (Net)

Due to/From Other Funds on June 30, 2016, consist of the following:

***Due to Water Fund***

Due to Water Fund from the General Fund for expenditures	\$ 4,563
	<u>\$ 4,563</u>

***Due to Sewer Fund***

Due to Sewer Fund from the Water Fund for expenditures	\$ 18,534
	<u>\$ 18,534</u>

***Due to General Fund***

Due from Accommodation Fund to the General Fund for expenditures	51,376
Due to General Fund from the Sewer Fund for expenditures	26,383
Due to General Fund from the Water Fund for expenditures	45,214
Due to General Fund from the Airport - Local Fund for expenditures	17
Total	<u>\$ 122,990</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

D. <b>Total fund balance - General Fund</b>	<b>\$ 9,657,376</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	150,979
<b>Streets - Powell Bill</b>	178,374
<b>Economic Development</b>	6,452,607
<b>Remaining Fund Balance</b>	<b>\$ 2,875,416</b>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. no provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED  
SUPPLEMENTAL FINANCIAL DATA

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This section contains additional information required by generally accepted  
accounting principals.

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Schedule of the Proportionate Share of the Net Pension  
Asset – Local Government Employees’ Retirement System

Schedule of Contributions – Local Government Employees’  
Retirement System

**Town of Ocean Isle Beach, North Carolina**  
**Town of Ocean Isle Beach's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Three Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.0332%	0.0393%	0.0418%
Town's proportion of the net pension liability (asset) (\$)	\$ 149,962	\$ (231,770)	\$ 503,851
Town's covered-employee payroll	\$ 1,934,271	\$ 2,000,311	\$ 2,091,981
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.75%	( 11.59%)	24.08%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**Town of Ocean Isle Beach, North Carolina**  
**Town of Ocean Isle Beach's Contributions**  
**Required Supplementary Information**  
**Last Three Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 143,408	\$ 138,383	\$ 142,569
Contributions in relation to the contractually required contribution	143,408	138,383	142,569
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,092,376	\$ 1,934,271	\$ 2,000,311
Contributions as a percentage of covered-employee payroll	6.85%	7.15%	7.15%

## INDIVIDUAL FUND SCHEDULES

- Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual

**Town of Ocean Isle Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 3,242,069	\$
Penalties and interest		34,638	
Total	<u>2,943,154</u>	<u>3,276,707</u>	<u>333,553</u>
Other taxes and licenses:			
Licenses & Fees		5,932	
Total	<u>6,500</u>	<u>5,932</u>	<u>(568)</u>
Unrestricted intergovernmental:			
ABC profit distribution		90,361	
Utility sales tax		320,823	
Local option sales taxes		151,596	
Telecommunications tax		10,418	
Video programming		87,064	
Beer and wine tax		2,626	
Tax/ Other Refunds		19,602	
Total	<u>634,646</u>	<u>682,490</u>	<u>47,844</u>
Restricted intergovernmental:			
Federal and State grants		1,339	
Mosquito control grant		2,205	
CAMA grant		6,105	
Powell Bill allocation		32,984	
Total	<u>42,649</u>	<u>42,633</u>	<u>(16)</u>
Permits and fees:			
CAMA local fees		5,900	
Contractor/Development fees		328,733	
Business registration fee		1,200	
Miscellaneous		10,744	
Fire fees		693,473	
Public safety fees/donations		2,653	
Total	<u>956,795</u>	<u>1,042,703</u>	<u>85,908</u>

**Town of Ocean Isle Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Sales and services:			
Canal dredge project		334,188	
Sale of fixed assets		12,641	
Rent		33,000	
Total	<u>415,932</u>	<u>379,829</u>	<u>(36,103)</u>
Investment earnings	<u>650</u>	<u>866</u>	<u>216</u>
Total Revenues	<u>5,000,326</u>	<u>5,431,160</u>	<u>430,834</u>
General government:			
Administration:			
Salaries & benefits		409,300	
Operating expense		246,699	
Capital Outlay		38,464	
Total	<u>887,682</u>	<u>694,463</u>	<u>193,219</u>
Building Inspector:			
Salaries & benefits		159,308	
Operating expense		30,502	
Capital Outlay		-	
Total	<u>191,829</u>	<u>189,810</u>	<u>2,019</u>
Governing board:			
Salaries & benefits		28,139	
Operating expense		6,958	
Capital Outlay		-	
Total	<u>37,314</u>	<u>35,097</u>	<u>2,217</u>
Public Buildings/Property:			
Salaries & benefits		57,940	
Operating expense		111,800	
Capital Outlay		24,539	
Total	<u>219,380</u>	<u>194,279</u>	<u>25,101</u>
Total General Government	<u>1,336,205</u>	<u>1,113,649</u>	<u>222,556</u>
Environmental:			
Contracted Services		73,000	
Total	<u>73,000</u>	<u>73,000</u>	<u>-</u>

**Town of Ocean Isle Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Streets:</b>			
Salaries & benefits		177,386	
Operating expense		132,025	
Capital Outlay		9,913	
Total	399,169	319,324	79,845
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries & benefits		847,416	
Operating expense		116,333	
Capital Outlay		76,716	
Total	1,128,252	1,040,465	87,787
<b>Fire:</b>			
Salaries & benefits		799,677	
Operating expense		97,578	
Capital Outlay		-	
Total	979,163	897,255	81,908
Total Public Safety	2,107,415	1,937,720	169,695
<b>Mosquito control:</b>			
Salaries & benefits		-	
Operating expense		5,824	
Capital Outlay		-	
Total	9,550	5,824	3,726
<b>Planning and zoning:</b>			
Salaries & benefits		146,686	
Operating expense		35,447	
Capital Outlay		-	
Total	197,029	182,133	14,896

**Town of Ocean Isle Beach, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Special projects:			
Dredging		1,045,247	
Erosion control		160,267	
Debt principal		373,707	
Debt interest		52,755	
Total	<u>2,539,661</u>	<u>1,631,976</u>	<u>907,685</u>
Total Expenditures	<u>6,662,029</u>	<u>5,263,626</u>	<u>1,398,403</u>
Revenues over (under) expenditures	(1,661,703)	167,534	1,829,237
Other financing sources (uses):			
Proceeds from installment purchase	-	-	
Transfers (to)/from other funds	1,162,766	1,238,405	
Transfers (to)/from other funds	-	-	
Fund Balance Appropriated	498,937	-	
Total	<u>1,661,703</u>	<u>1,238,405</u>	<u>(423,298)</u>
Net change in fund balance	<u>\$ -</u>	1,405,939	<u>\$ 1,405,939</u>
Fund balances:			
Beginning of year, July 1		<u>8,251,437</u>	
End of year, June 30		<u>\$ 9,657,376</u>	

**Town of Ocean Isle Beach, North Carolina**  
**Special Revenue Fund - Tourist Accommodation Tax Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Accommodation Tax	\$	\$ 1,974,813	\$
Investment income		105	
Restricted Revenue		18,358	
Miscellaneous		12,228	
Total revenues	1,935,918	2,005,504	69,586
 <b>Expenditures:</b>			
Current:			
Economic and physical development:			
Public property & other		1,092,231	
Total expenditures	1,550,622	1,092,231	458,391
Revenues over expenditures	385,296	913,273	527,977
 <b>Other financing sources (uses)</b>			
Transfers in (out)	(1,242,766)	(1,238,405)	-
Fund Balance Appropriated	857,470	-	-
Total other financing sources (uses)	(385,296)	(1,238,405)	(853,109)
Revenues over expenditures and other sources	\$ -	(325,132)	\$ (325,132)
 <b>Fund balances:</b>			
Beginning of year, July 1		1,126,455	
End of year, June 30		\$ 801,323	

**Town of Ocean Isle Beach, North Carolina  
Special Revenue Fund - Airport Grant Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$	\$ -	\$
Grants		251,993	
Total	352,466	251,993	(100,473)
Expenditures:			
Current:			
Economic and physical development:			
Approach clear zone project		301,136	
Total expenditures	352,466	301,136	51,330
Revenues over expenditures	-	(49,143)	(49,143)
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	-	-	-
Net change in fund balance	\$ -	(49,143)	\$ (49,143)
Fund balances:			
Beginning of year, July 1		20,051	
End of year, June 30		\$ (29,092)	

**Town of Ocean Isle Beach, North Carolina**  
**Combining Balance Sheet**  
**Non Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

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	<u>Airport Local</u>	<u>2016 Totals</u>	
<b>Assets</b>			
Cash and Investments	\$ 213,437	\$ 213,437	
Accounts Receivable	-	-	
Total Assets	<u>213,437</u>	<u>213,437</u>	
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ -	
Due to other funds	17	17	
	<u>17</u>	<u>17</u>	
<b>Fund Balances:</b>			
Restricted			
Committed Stabilization by State Statute	-	-	
Economic development	213,420	213,420	
Total Fund Balance	<u>213,420</u>	<u>213,420</u>	
Total Liabilities and Fund Equity	<u>\$ 213,437</u>	<u>\$ 213,437</u>	

**Town of Ocean Isle Beach, North Carolina**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Non Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Airport Local</u>		<u>2016 Totals</u>
Revenues:			
Local Revenues	\$ 56,968	\$	56,968
Investment Income	59		59
Restricted Revenue	-		-
Miscellaneous	200		200
Total Revenues	<u>57,227</u>		<u>57,227</u>
Expenditures:			
Current:			
Economic Development	<u>43,115</u>		<u>43,115</u>
Revenues over expenditures	14,112		14,112
Other Financing Sources (Uses):			
Transfers In (Out)	-		-
Fund balances:			
Beginning of year, July 1	<u>199,308</u>		<u>199,308</u>
End of year, June 30	<u>\$ 213,420</u>	\$	<u>213,420</u>

**Town of Ocean Isle Beach, North Carolina  
Special Revenue Fund - Airport Local Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Income	\$	\$ 59	\$
Local revenues		56,968	
Miscellaneous		200	
Total	47,050	57,227	10,177
Expenditures:			
Current:			
Economic and physical development:			
Clear zone project		-	
Other improvements		43,115	
Total expenditures	47,050	43,115	3,935
Revenues over expenditures	-	14,112	14,112
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	-	-	-
Net change in fund balance	\$ -	14,112	\$ 14,112
Fund balances:			
Beginning of year, July 1		199,308	
End of year, June 30		\$ 213,420	

**Town of Ocean Isle Beach, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Charges for services:			
Water sales:			
Residential &			
Commercial	\$	\$ 1,405,868	\$
Miscellaneous		-	
Total	<u>1,371,615</u>	<u>1,405,868</u>	<u>34,253</u>
Water taps	<u>30,000</u>	<u>29,450</u>	<u>(550)</u>
Other operating revenues	<u>5,850</u>	<u>6,330</u>	<u>480</u>
Total Operating Revenues	<u>1,407,465</u>	<u>1,441,648</u>	<u>34,183</u>
Nonoperating revenues:			
Lease	76,160	70,427	(5,733)
Miscellaneous	-	-	-
Interest earnings	200	209	9
Total Revenues	<u>1,483,825</u>	<u>1,512,284</u>	<u>28,459</u>
<b>Expenditures:</b>			
Water Administration:			
Salaries and benefits		85,862	
Repairs and maintenance		6,085	
Telephone		805	
Office supplies		1,687	
Operating expenses		4,485	
Capital outlay		-	
Total water administration	<u>112,314</u>	<u>98,924</u>	<u>13,390</u>
Water Operations:			
Salaries and benefits		236,803	
Repairs and maintenance		12,762	
Water purchase		525,855	
Supplies		48,274	
Operating expenditures		45,649	
Capital outlay		-	
Total	<u>1,171,511</u>	<u>869,343</u>	<u>302,168</u>

**Town of Ocean Isle Beach, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2016**

<b>Debt service:</b>			
Interest and fees		-	
Principal retirement		-	
Total debt service		-	
<b>Capital outlay:</b>			
Land acquisition		-	
Vehicle/Equipment		-	
System improvements		-	
Total capital outlay		200,000	200,000
Total expenditures		968,267	515,558
<b>Other financing sources (uses):</b>			
Transfers in (out)	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses):	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 544,017	\$ 544,017

**Reconciliation from budgetary basis (modified accrual) to full accrual:**

Revenues over expenditures	\$ 544,017
<b>Reconciling items:</b>	
Capital outlay	-
Depreciation	(72,368)
Change in compensated absences	-
Increase (decrease) in net pension asset	(32,448)
(Increase) decrease in net pension liability	(20,873)
Increase (decrease) in deferred outflows of resources for pensions	703
(Increase) decrease in deferred inflows of resources for pensions	63,754
Increase (decrease) in Inventory	(2,756)
Total reconciling items	(63,988)
Change in net position	\$ 480,029

**Town of Ocean Isle Beach, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Charges for services:			
Sewer charges:			
Residential &			
Commercial	\$	\$ 1,087,403	\$
Miscellaneous		38,614	
Total	<u>1,300,484</u>	<u>1,126,017</u>	<u>(174,467)</u>
Water & Sewer Taps	<u>12,000</u>	<u>9,000</u>	<u>(3,000)</u>
Impact fees and other	-	-	-
Total Operating Revenues	<u>1,312,484</u>	<u>1,135,017</u>	<u>(177,467)</u>
Nonoperating revenues:			
Other	-	-	-
Interest earnings	200	114	(86)
Total Revenues	<u>1,312,684</u>	<u>1,135,131</u>	<u>(177,553)</u>
<b>Expenditures:</b>			
Sewer Administration:			
Salaries and benefits		-	
Operating expenses		12,999	
Capital outlay		-	
Total water administration	<u>19,350</u>	<u>12,999</u>	<u>6,351</u>
Sewer Operations:			
Salaries and benefits		115,459	
Repairs and maintenance		703	
Supplies		40,912	
Utilities		53,707	
Contracted services		30,892	
Brunswick County capital charge		656,177	
Operating expenditures		100,471	
Capital outlay		-	
Total	<u>1,293,334</u>	<u>998,321</u>	<u>295,013</u>

**Town of Ocean Isle Beach, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2016**

<hr/>			
Debt service:			
Interest and fees		-	
Principal retirement		-	
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay:			
Improvements		-	
Equipment		-	
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,312,684</u>	<u>1,011,320</u>	<u>301,364</u>
Other financing sources (uses):			
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 123,811</u>	<u>\$ 123,811</u>

**Reconciliation from budgetary basis (modified accrual) to full accrual:**

Revenues over expenditures	<u>\$ 123,811</u>
Reconciling items:	
Capital outlay	-
Depreciation	(111,146)
Increase (decrease) in net pension asset	(9,271)
(Increase) decrease in net pension liability	(5,964)
Increase (decrease) in deferred outflows of resources for pensions	201
(Increase) decrease in deferred inflows of resources for pensions	18,215
Increase (decrease) in Inventory	<u>(3,189)</u>
Total reconciling items	<u>(111,154)</u>
Change in net position	<u>\$ 12,657</u>

## OTHER SCHEDULES

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This section includes additional information on property taxes, transfers, and cash and investments.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Ocean Isle Beach, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2016**

<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	Uncollected Balance <u>June 30, 2016</u>
2015-2016	\$	\$ 3,115,918	\$ (2,998,602)	\$ 117,316
2014-2015	195,132	-	(194,565)	567
2013-2014	48,635	-	(48,635)	-
2012-2013	528	-	(391)	137
	<u>\$ 244,295</u>	<u>\$ 3,115,918</u>	<u>\$ (3,242,193)</u>	<u>118,020</u>

Ad valorem taxes receivable - net \$ 118,020

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 3,276,707
Reconciling items:	
Discounts, Releases, Refunds	124
Interest collected	<u>(34,638)</u>
Total collections and credits	<u>\$ 3,242,193</u>

**Town of Ocean Isle Beach, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Year Ended June 30, 2016**

	Town - Wide		Total Levy		
			Property exclusing Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 1,661,822,933	\$ .1875	3,115,918	\$ 3,085,107	\$ 30,811
Penalties				-	-
Total	<u>1,661,822,933</u>		<u>3,115,918</u>	<u>3,085,107</u>	<u>30,811</u>
Total property valuation	\$ <u>1,661,822,933</u>				
Net levy			3,115,918	3,085,107	30,811
Uncollected taxes at June 30, 2016			<u>(117,316)</u>	<u>(117,172)</u>	<u>(144)</u>
Current year's taxes collected			\$ <u>2,998,602</u>	\$ <u>2,967,935</u>	\$ <u>30,667</u>
Current levy collection percentage			<u>96.23%</u>	<u>96.20%</u>	<u>99.53%</u>

## COMPLIANCE SECTION



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**Report On Internal Control Over Financial Reporting And On Compliance and Other  
Matters Based On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Ocean Isle Beach, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Ocean Isle Beach, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Town of Ocean Isle Beach's basic financial statements, and have issued our report thereon dated October 10, 2016. The financial statements of Town of Ocean Isle Beach ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ocean Isle Beach's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ocean Isle Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Ocean Isle Beach's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Thompson, Price, Scott, Adams & Co., P.A.*

*Thompson, Price, Scott, Adams & Co., P.A.*

*Wilmington, North Carolina*

*October 10, 2016*

Town of Ocean Isle Beach, North Carolina  
Schedule of Findings and Responses  
For the Year Ended June 30, 2016

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**Section I. Summary of Auditor's Results**

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Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

- Material weakness(es) identified?      \_\_\_yes    X\_no
- Significant Deficiency(s) identified?      \_\_\_ yes    X\_none reported

Noncompliance material to financial statements noted?      \_\_\_yes    X\_no

Town of Ocean Isle Beach, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2016

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**Section II – Financial Statement Findings**

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None reported.

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV – State Award Findings and Questioned Costs**

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None reported.

Town of Ocean Isle Beach, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2016

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**Section II – Financial Statement Findings**

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None reported.

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV – State Award Findings and Questioned Costs**

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None reported.